

Message Text

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PAGE 01 MOSCOW 03581 180832Z

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W
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R 180802Z MAR 75
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 8239
INFO USDOC WASHDC

C O N F I D E N T I A L MOSCOW 3581

USDOC FOR BEWT/TDAD

E.O. GDS

TAGS: ETRD, ENRG, EEWT, UR, US

SUBJECT: UPCOMING SOVIET ORDER FOR GAS PIPELINE COMPRESSORS

1. COMMOFF UNDERSTANDS FROM REPRESENTATIVES OF SEVERAL U.S. FIRMS THAT SOVIETS PLAN TO PLACE ORDER FOR COMPRESSORS FOR ORENBURG-EASTERN EUROPE GAS PIPELINE PRIOR TO MAY 1. THIS ORDER, WHICH WILL BE ONE OF LARGEST OF ITS KIND EVER PLACED, WILL INVOLVE COMPLETE EQUIPMENT FOR 22 COMPRESSOR STATIONS; 21 OF WHICH WILL HAVE THREE 30KW TURBINES, WITH INITIAL STATION CONSISTING OF FOUR UNITS. TOTAL VALUE OF CONTRACT IS ESTIMATED AT DOLLARS ONE BILLION.

2. CONSENSUS IN MOSCOW BUSINESS COMMUNITY IS THAT BULK OF THIS ORDER WILL GO TO GE, A VIEW WHICH IS BASED BOTH ON GE'S PAST SUCCESSES AND FACT THAT COMPANY IS CURRENTLY HOSTING SOVIET DELEGATION HEADED BY MINISTER OF GAS INDUSTRY ORUDZHEV. MOSCOW GE REP INFORMED COMMATT THAT MAJOR PURPOSE OF THIS VISIT, ASIDE FROM PUBLIC RELATIONS ASPECT, IS TO SHOW ORUDZHEV AND HIS COLLEAGUES (INCLUDING PRESIDENT VOLCHKOV OF MASHINOIMPORT) COMPRESSOR STATIONS OF SORT WHICH GE IS PROPOSING FOR ORENBURG LINE. WESTINGHOUSE OFFICIALS CURRENTLY IN MOSCOW PRESENTING PROPOSAL FOR THIS PROJECT ARE TAKING OPTIMISTIC LINE OF COMPANY'S CHANCES, BUT COMMOFF HAS IMPRESSION THAT WESTINGHOUSE ACTUALLY HOPES TO PICK UP THAT PART OF SOVIET ORDER WHICH GE WILL BE UNABLE TO FULFILL DUE TO TIGHT DELIVERY SCHEDULE ESTABLISHED BY SOVIETS.

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PAGE 02 MOSCOW 03581 180832Z

3. EMBASSY HAS IMPRESSION THAT "FINANCING" FOR THIS SALE
WILL BE HANDLED IN SAME MANNER AS 1974 GE SALE, I.E.
MASHINOIMPORT PROMISSORY NOTES BEARING LOW RATE OF INTEREST
WITH DIFFERENTIAL BUILT INTO PRICE. RECENT DECLINE IN U.S.
AND WESTERN EUROPEAN INTEREST RATES WILL MAKE THIS OPERATION
SOMEWHAT EASIER THAN IT WAS LAST SUMMER, BUT WE UNDERSTAND THAT
BANKS ADVISING COMPETING FIRMS ARE SHOWING CONCERN OVER NEAR
CERTAINTY THAT DURING SOME PART OF LIFE OF THESE NOTES,
INTEREST RATES WILL BE SUBSTANTIALLY ABOVE CURRENT LEVELS.
STOESSEL

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PROCUREMENT, EQUIPMENT, PROPOSALS (BID), PETROLEUM PIPELINES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW03581
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750093-1110
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750341/aaaabkir.tel
Line Count: 71
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by izenbei0>; APPROVED <12 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UPCOMING SOVIET ORDER FOR GAS PIPELINE COMPRESSORS
TAGS: ETRD, ENRG, EEW, UR, US, GC, WESTINGHOUSE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006